

Message Text

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PAGE 01 NEW DE 06006 060924Z

14-12

ACTION FBO-05

INFO OCT-01 NEA-09 ISO-00 A-01 L-02 /018 W

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R 060705Z MAY 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8501

INFO AMCONSUL BOMBAY

LIMITED OFFICIAL USE NEW DELHI 6006

E. O. 11652: N/A

TAGS: ABLD, IN

SUBJ: GENERATORS

REF: STATE 102962

1. WE ARE CONCERNED THAT SO LITTLE PROGRESS HAS BEEN MADE ON A SETTLEMENT OF THE GENERATOR PROBLEM. HYDE'S PROPOSAL OUTLINED IN STATE'S 102962 DOES NOT, IN OUR VIEW, CONSTITUTE A SERIOUS SETTLEMENT PROPOSAL. IN URGING HYDE TO COME UP WITH SUCH A PROPOSAL THAT MIGHT BE NEGOTIATED WE URGE THAT YOU REVIEW THE FOLLOWING HISTORY.

2. CAPCO'S AND AHYROW'S CONTRACTS PROVIDED FOR 100 PERCENT PAYMENT IN RUPEES. NO RUPEES WERE TO BE PERMITTED TO BE REPATRIATED FROM INDIA, AND THEY KNEW IT. DESPITE THIS -- BUT ONLY AFTER OUR INTERVENTION WITH THE GOI -- THE GOI AGREED TO PERMIT DOLLAR REMITTANCE OF AIR FREIGHT CHARGES AND FOLLOWING AN ENORMOUS INVESTMENT OF TIME AND EFFORT, THIS APPEARS FINALLY TO BE ABOUT RESOLVED. (SEE BOMBAY'S 665 BEING REPEATED TO YOU). NOW HYDE WANTS DOLLARS NOT ONLY IN ORDER TO PAY ATLANTIC BUT ALSO TO PAY U. S. "LEGAL COSTS." WE ARE UNAWARE OF ANY "LEGAL ACTION" IN THE U. S. INVOLVING THE GENERATOR SALE AND ARE SOMEWHAT BAFLED BY THIS ONE.

3. WE SIMPLY HAVE NO GROUNDS TO GO TO THE GOI AND ASK FOR MORE DOLLARS ON THE BASIS PROPOSED. THE GOI MIGHT BE WILLING TO ACCEPT SOME SORT OF COMPROMISE (THOUGH WE SHOULD POINT OUT I
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PAGE 02 NEW DE 06006 060924Z

HAS NO OBLIGATION TO DO SO) BUT IN OUR VIEW IT WILL HAVE TO

BE ONE WHICH MAKES A FINAL SETTLEMENT OF THIS CASE AND ONE WHICH INVOLVES HYDE YIELDING SOMETHING IN RETURN FOR THE ADDITIONAL FOREIGN EXCHANGE. ONE ALTERNATIVE IS THE COURSE OF ACTION PROPOSED BY SAREEN, I.E., NO MORE DOLLAR REMITTANCES BUT UNBLOCKING OF RUPEE FUNDS.

4. WE ASSUME REFTTEL OVERTAKES STATE 101261. HOWEVER, SAREEN TELLS US THAT THE CLARIDGE BILL, AND THE OTHER RUPEE BILLS, WILL BE PAID AS A DUDUCTION FROM THE FOREIGN EXCHANGE EQUIVALENT OF THE RS. 500,000 (5LAKH) REMAINING TO BE RELEASED FOR THE AIR FREIGHT.

5. IN REGARD TO PARA. 2 OF REFTTEL, WE REFER YOU TO PARA. 2 OF NEW DELHI 4183, AND PARA. 1C OF NEW DELHI 3871. THE RBI WILL COUNTENANCE CONVERTING THESE RUPEES INTO FOREIGN EXCHANGE ONLY TO THE EXTENT FOREIGN EXCHANGE WAS ORIGINALLY BROUGHT INTO INDIA. NO ONE -- SAREEN, HYDE, OR SMITH -- HAS MADE ANY ATTEMPT TO CONVINCE THE RBI THAT FUNDS WERE BROUGHT INTO INDIA WITH WHICH THEY PAID THEIR EXPENSES.

6. RE PARA 3 REFTTEL, WE SUGGEST THAT YOU CABLE US HYDE'S MINOR POINTS. WE'LL TRY TO CLARIFY THEM.
SAXBE

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